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**FISCAL IMPACT STATEMENT**

**LS 7350**

**BILL NUMBER:** HB 1505

**NOTE PREPARED:** Jan 20, 2011

**BILL AMENDED:**

**SUBJECT:** Payment for Recycling Plastic Bottles.

**FIRST AUTHOR:** Rep. Goodin

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that a person may present an empty returnable plastic bottle to any retail merchant for a five-cent redemption. It requires a retail merchant to recycle any empty returnable plastic bottles for which the retail merchant pays a redemption. It also makes an appropriation to pay refund claims to retail merchants for credits accrued in paying redemptions for empty returnable plastic bottles.

**Effective Date:** January 1, 2012.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to allow retailers to claim credits against their Sale Tax liability for the amount of redemptions made by the retailer.[Note: According to the DOR, allowing retailers to claim this credit on the Sales Tax form will put Indiana out of compliance with the Streamlined Sales and Use Tax Agreement].

*Treasurer of State (TOS):* This bill would increase administrative costs for the TOS. This bill requires the TOS to administer the Returnable Plastic Bottle Redemption Fund (established by this bill). The cost of administering the program would be offset by the required reimbursement from the fund.

*Returnable Plastic Bottle Redemption Fund:* The bill establishes the Returnable Plastic Bottle Redemption Fund to pay for refund claims by retail merchants. This bill could potentially increase state expenditures by \$127 M annually. The bill provides that a person may present an empty returnable plastic bottle to any retail merchant for a \$0.05 redemption. The bill annually appropriates from the State General Fund an amount sufficient to pay refund claims by retailers. The expenditure estimate is based on historical data from Michigan's Beverage Container Act imputed to Indiana based on a ratio of Indiana's population to

Michigan's population.

*Background on Michigan's Beverage Container Act:* Michigan's Beverage Container Act (adopted in 1976) requires that a \$0.10 deposit be collected on each beverage container at the point of sale and deposited in a fund. History for beverage containers in Michigan is available from 1990 to 2009. On average \$394 M is issued annually in refunds.

**Explanation of State Revenues:** *Sales Tax Credit:* This bill would allow a retailer to claim a credit on their Sales Tax return for the amount of the redemptions made by the merchant. If the credit exceeds the amount of Sales Tax due for that period, the retail merchant may carry forward the credit for three years or until the credit is depleted, whichever occurs first. It is unknown how many retailers may use the option of the credit or file for a refund from the Returnable Plastic Bottle Redemption Fund directly. Overall it is estimated that the amount of potential redemptions could equal \$127 M if Indiana has a similar experience as was found in Michigan. This impact would result in additional expenditures or a reduction in Sales Tax collections depending on how the retailers chose to redeem their payments for recycling.

*Penalty Provision:* A person who violates the recycling provisions in the bill commits a Class C infraction. The maximum judgment for a Class C infraction is \$500, which would be deposited in the state General Fund. However, any additional revenue is likely to be small.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Penalty Provision:* If additional court actions are filed and a judgment is entered, local governments would receive revenue from court fees. However, any additional revenue is likely to be small.

Local revenues would decrease to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

**State Agencies Affected:**

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

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